FACT SHEET ON KAISER HEALTH PLAN SURVEY ON QUALITY ASSURANCE OVERSIGHT

Background: On August 1, 2006, the California Department of Managed Health Care (DMHC) began an investigation of Kaiser Foundation Health Plan's (Kaiser) oversight system for monitoring its quality assurance and physician peer review programs. The investigation was prompted in part from issues identified by the DMHC's prior examination of Kaiser's San Francisco Medical Center kidney transplant facility, closed earlier this year, as well as specific complaints received by the DMHC's HMO Help Center.

Typically, the HMO Help Center's Division of Plan Surveys conducts a medical review of health plan operations every three years. However, under the leadership of DMHC Director Cindy Ehnes, unscheduled, or non-routine surveys, have been more frequently conducted in a "rapid response" to issues warranting more immediate review. Since 2002, nine such surveys have been conducted, with four resulting in financial penalties totaling $6.25 million; with another four in progress.

By law, the DMHC has jurisdiction over the Kaiser Foundation Health Plan, which provides for medical and health care services for more than six million members in California. In turn, the health plan contracts with the Kaiser Foundation Hospital, which operates 29 medical centers throughout the state and the Permanente Medical Group, which is a multi-specialty physician group. Although the medical centers and physicians are directly regulated by other state and federal agencies, ultimately it is the health plan which oversees quality assurance and physician peer review systems, and also has the responsibility of identifying and solving problems in care and services delivered to members.

Survey Findings: The DMHC investigation involved an in-depth look at the programs designed to investigate complaints and conduct physician peer review at nine of Kaiser's 29 medical centers throughout the state. Five of the centers were selected for survey in response to specific complaints, with the other four chosen at random – two from the north and two from the south.

The DMHC investigation into Kaiser's quality assurance oversight found two deficiencies of state law – the lack of adequate health plan oversight of quality assurance programs, and a significant variation in and inconsistent handling of quality-of-care cases referred for medical center peer review. It found that the health plan, by not having an effective or comprehensive uniform system of standards and processes for these functions, lacked the ability to verify consistent handling of complaints throughout its medical centers, or to determine whether serious or chronic problems were being addressed. In total, five deficiency areas were identified:

Health Plan Oversight

- The health plan did not have a proper system in place to monitor and evaluate the care provided by the medical groups or medical centers.
- The health plan failed to inform its providers and medical centers of the scope of its quality management responsibilities or monitoring procedures.
- The health plan's Board of Directors did not request sufficiently detailed reports or oversight activities to ensure that the Board would be informed of significant or chronic quality problems within the Kaiser system.

Peer Review and Quality Programs

- Physician peer review processes in the medical centers did not consistently ensure that all quality-of-care concerns were identified and corrected.
- Quality oversight systems in the medical center were not designed to consistently ensure that all quality assurance concerns were identified and corrected.

All of the deficiencies can be traced to the variations and/or lack of standardization in peer review and quality management systems within the medical centers. Simply put, the health plan did not have an effective or comprehensive system of standards and processes for these functions throughout its medical group and medical center network, nor did it monitor or evaluate any serious or chronic problems happening in the field.

Penalties: Due to these serious issues with oversight at the time of the survey, the DMHC is assessing a financial penalty of $3 million for Kaiser's failure to provide adequate oversight of its quality assurance programs, which address patient complaints about medical care, or physician peer review cases, in its 29 medical centers throughout the state. However, $1 million of the fine will not be imposed if Kaiser fully completes proposed corrective actions.

Next steps: As soon as the preliminary report was issued, the DMHC began working with Kaiser on corrective actions in response to the DMHC's preliminary report on the findings. The DMHC and Kaiser have already begun to address the oversight concerns raised.

Kaiser will establish:

- A reporting process to allow the health plan to review and monitor changes in health care clinical practices, quality-of-care complaint systems, and peer review programs at all 29 medical centers
- A Peer Review Performance Improvement Project to establish a uniform set of standards, a severity level system, and a process for reporting problems to levels above the medical center within the Kaiser organization
- A regional Member Concerns Committee to report to the health plan on member complaints

DMHC will:

- Require additional corrective actions from Kaiser by Oct. 1, 2007, on standardizing peer review functions and quality management functions in its medical centers
- Conduct "no-notice" site visits beginning in November 2007
- Conduct on-going monitoring of the progress of Kaiser corrective actions
- Conduct a follow-up survey in late 2008/2009